

Message Text

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ACTION EUR-12

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TAGS: EINV, CA
SUBJECT: FOREIGN INVESTMENT REVIEW DECISIONS

1. SUMMARY: GORDON DEWHIRST, FIRA RESEARCH DIRECTOR, RECENTLY GAVE EMBOFF LATEST COMPOSITE FIGURES ON TAKEOVERS AND NEW BUSINESS PROPOSALS. BREAKDOWN OF COMPOSITE FIGURES SHOWS ALLOWANCE/DISALLOWANCE RATION FOR TAKEOVERS ABOUT 5 TO 1 FOR PREVIOUS FISCAL YEAR AND ABOUT 8 TO 1 CURRENTLY. ABOUT 11 TO 1 RATIO FOR NEW BUSINESS PROPOSALS PRESENTLY EXISTS, BUT COMPARISION WITH PREVIOUS FISCAL YEAR IMPOSSIBLE. DEWHIRST ALSO INDICATED THAT ITC MINISTER JEAN CHRETIEN, IMPATIENT WITH BUREAUCRATIC REVIEW PROCESS, IS CAUSING MORE PROPOSALS, "TO BE DEEMED ALLOWED," AND FIRA IS ATTEMPTING SPEED UP SCREENING PROPOSALS. END SUMMARY.

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2. DURING DISUCSSION WITH EMBOFF, GORDON DEWHIRST, RESEARCH DIRECTOR OF FIRA, GAVE FOLLOWING COMPOSITE
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FIGURES ON INVESTMENT PROPOSALS HANDLED BY HIS AGENCY
SINCE APRIL 1974:

	ACQUISITIONS	NEW BUSINESSES
REVIEWABLE PROPOSALS	440	207
(OF WHICH)		
ALLOWED	280	123

DISALLOWED	48	10
WITHDRAWN	52	18
UNDER REVIEW	60	56

3. FOR COMPARATIVE PRUPOSES, EMBASSY HAS PREPARED FOLLOWING CHARTS USING PREVIOUS FIR ANNAUAL REPORTS:
FOR FY 75/76 (ENDING MARCH 31, 1976):

	ACQUISITIONS	NEW BUSINESSES
PROPOSALS RESOLVED	153	6
(OF WHICH)		
ALLOWED	110	4
DISALLOWED	22	
WITHDRAWN	21	2

FOR FY 76/77 (UP TO JAN . 14, 1977):

	ACQUISITIONS	NEW BUSINESSES
PROPOSALS RESOLVED	146	145
(OF WHICH)		
ALLOWED	120	119
DISALLOWED	14	10
WITHDRAWN	12	16

4. THUS, IN FY 75/76 RATION OF ALLOWED TO DISALLOWED TAKEOVERS WAS 5 TO 1, AND IN FY 76/77 SO FAR, RATIO IS RUNNING AT OVER 8 TO 1. NO SIMILAR COMPARISONS CAN BE MADE FOR NEW BUSINESSES, WHICH ARE CURRENTLY AT ABOUT 11 TO 1 RATIO, SINCE PHASE II OF ACT DID NOT COME INTO FORCE UNTIL OCTOBER 1975. DEWHIRST THOUGHT, LIMITED OFFICIAL USE

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HOWEVER, THAT TOTAL MEMBER OF FOREIGN NEW BUSINESSES BEING OPENED IN CANADA WAS ABOUT AT SAME LEVEL OBTAINING BEFORE OCTOBER 1975.

5. OF 440 TAKEOVER PROPOSALS REVIEWED SINCE APRIL 9, 1974, 286 CAME FROM U.S. INTERESTS (OR ABOUT 65 PERCENT). HOWEVER, OF 207 NEW BUSINESS PROPOSALS FORE REVIEW ONLY 93 CAME FROM U.S. INTERESTS (OR 45 PERCENT). DEWHIRST SAID HE DIDN'T KNOW WHAT CONCLUSIONS HE WOULD DRAW FROM THIS, BUT HIS RESEARCH GROUP WOULD STUDY SITUATION.

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6. WHEN EMBOFF ASKED DEWHIRST ABOUT LARGE NUMBER OF "DEEMED TO HAVE BEEN ALLOWED" PROPOSALS RECENTLY, DEWHIRST SAID THAT HE HAD NO CURRENT BREAKOUT OF NUMBER OF SUCH PROPOSALS, BUT HE DID AGREE THAT NUMBER HAD INCREASED SUBSTANTIALLY. THIS SITUATION DUE,

ACCORDING TO DEWHIRST, TO ITC MINISTER CHRETINE'S "IMPATIENCE" WITH SYSTEM. DEWHIRST SAID CHRETIEN WANTS REVIEW PROCESS, EXCEPT FOR VERY COMPLICATED CASES, TO TAKE ONLY 60 DAYS, AND HE DOES NOT BELIEVE THAT HE MUST WAIT FOR ALL GOVERNMENT AGENCIES TO MAKE RECOMMENDATIONS BEFORE HE MOVES PROPOSAL TO CABINET.

7. DEWHIRST SAID THAT IN LINE WITH CHRETIEN'S THINKING, FIRA IS SHORTENING ITS APPLICATION FORMS, HAS PREPARED NEW INTERNAL REGULATIONS FOR HANDLING SMALL BUSINESSES, AND IN GENERAL IS MAKING REVIEW PROCESS MUCH LESS TIME-CONSUMING.

8. COMMENT. EMOBFF RECEIVED DISTINCT IMPRESSION FROM DEWHIRST THAT CHRETIEN IS SHAKING UP BUREAUCRACY AT FIRA AND, UNLIKE PREVIOUS ITC MINISTERS, CHRETIEN LIMITED OFFICIAL USE

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WANTS FIRA TO BE REAL SCREENING AGENCY, NOT BUREAUCRATIC BLOCK TO FOREIGN INVESTMENT.

9. SENSING NEW ATMOSPHERE AT FIRA, TORONTO STAR OF JANUARY 22 CARRIED FRONT-PAGE ARTICLE GENERALLY CRITICIZING CHRETIEN APPROACH AND CLAIMING CHRETIEN PROPOSING AMENDMENTS TO INVESTMENT ACT WHICH WOULD "PULL TEETH" OF FIRA. REPORTER MAINTAINED CHANGES WOULD EXEMPT ALL BUT BIGGEST REAL ESTATE DEALS FROM SCREENING PROCESS, PROVIDE QUICKER HANDLING OF SMALL COMPANIES, AND CONSOLIDATE FIRA APPLICATION FORMS. WITH TYPICAL STAR BIAS, REPORTER CONCLUDES THAT "WELCOME MAT IS NOW OUT FOR FOREIGN INVESTMENT," AND "GONE ARE GALLANT WORDS OF ... ALASTAIR GILLESPIE, WHO SPOKE THREE YEARS AGO OF A CANADA 'MORE THAN A MERE APPENDAGE OF FOREIGN CORPORATE GIANTS.'"ENDERS

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